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CENTRAL INTELLIGENCE GROUP
INTELLIGENCE REPORT

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SUBJECT Swiss-Spanish Trade Negotiations

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The following is a letter from the Swiss Board of Trade, Zurich, dated 23 December 1946, concerning commercial exchanges with Spain. The letter notes the failure of the Spanish Government to subsidize Spanish exports so as to meet prices on the world market. It proposes unilateral Swiss action to safeguard commercial transactions already initiated and advises its members to abstain from further commitments until the conclusion of current negotiations between the Swiss Compensation Office and the Spanish Foreign Exchange Control. The translation from a French copy appears below.

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"VORORT DES SCHWEIZERISCHEN
HANDELS-UND INDUSTRIE-VEREINS

Zurich, 23 December 1946

TO THE SECTIONS

"In a circular letter of 3 October 1946, we notified you that the Spanish Government intended, in order to adapt the price of Spanish merchandise to the international market, to decree a general system of subsidies to be applied in connection with foreign trade.

"While waiting for the contemplated plan to be carried out progressively, the Swiss authorities intend to apply during the transitional period, a system mentioned under figure six of our circular letter of 3 October predicting additional imports and exports.

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"Spanish authorities have just announced that it is impossible to count on Spanish introduction of a general system of subsidies. They also say they can not concur in the transitional arrangement envisaged by the Swiss at the exclusion of business already approved by the Division of Commerce. The Spanish authorities in return have implied that they will not be inconvenienced if Switzerland itself were to provide price compensation by creating a system of price equalization that could be applied to all Spanish-Swiss traffic.

"As there is no reason to expect Spain to remedy in the near future, and by its own means, the existing inequalities in the realm of its money, it remains only for the Swiss to undertake the necessary measures to avoid a complete breakdown in the exchange of merchandise and in regulation of payments with Spain. Under these circumstances, the only consideration may be given to a system of subsidies by which the Swiss Office of Compensation will levy a standardization tax at the time of payment on the exchange value of the exports. The grant of a subsidy on the import of Spanish merchandise, thereby will lower the price of this merchandise to the level reached through competition. One of the most delicate problems raised through the introduction of such a system lies in the subsidy of business, transfer of which already has been authorized by the Swiss Office of Compensation, but for which payment has not yet been made. The extent of this business in Swiss-Spanish traffic now amounts to about forty million francs. Since, with regard to payments, transactions can not be carried out unless corresponding importations from Spain are made possible by the imposition of an average premium of 25 to 30 percent, the settlement of past transactions will require the payment of a premium totalling approximately ten to twelve million francs. Consequently, and as regrettable as it may be, the question is raised of levying a subsidy as well on transactions already approved by the Swiss Office of Compensation. Since, from the Swiss point of view, the subsidies which will have to be paid for former transactions would have to be paid by Spanish importers, this question now is the object of conversations with the Spanish authorities. In order to prevent the Spanish debtor from being able during this period of negotiations to free himself of having to pay back a subsidy by making an anticipated payment to the clearing house, the Swiss Office of Compensation has asked the Spanish Foreign Exchange Control no longer to accept, from the 19th of December 1946 until further advised, any payment to the Spanish-Swiss clearing house. The only exceptions to this measure are payments urgently needed for aid, expenses of study and care and other payment analogous to those, such as payments for additional transactions already authorized.

"In regard to the momentary suspension of payments, we recommend that exporters refrain from sending merchandise not yet paid for, until negotiations have been concluded. This restraint, besides,

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will facilitate regulation of payment of subsidies on former transactions and will reduce the risk run by the exporter.

"As soon as negotiations relative to the question of subsidies are ended, we will not fail to inform the sections."

"VORORT DE L'UNION SUISSE DU COMMERCE ET DE L'INDUSTRIE"

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